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9 UNITED STATES DISTRICT COURT  
10 CENTRAL DISTRICT OF CALIFORNIA

11 ZIQI ZHANG, Individually and on  
12 behalf of all others similarly situated,

13 Plaintiff,

14 v.

15 17 EDUCATION & TECHNOLOGY  
16 GROUP INC., ANDY CHANG LIU,  
17 MICHAEL CHAO DU, DUN XIAO,  
18 TUCK LYE KOH, COLLEEN A. DE  
19 VRIES, MORGAN STANLEY & CO.  
20 LLC, GOLDMAN SACHS (ASIA)  
21 L.L.C., BOFA SECURITIES, INC.,  
22 CHINA RENAISSANCE  
23 SECURITIES (HONG KONG)  
24 LIMITED, TIGER BROKERS (NZ)  
25 LIMITED, and COGENCY GLOBAL  
26 INC.,

27 Defendants.

No.

**CLASS ACTION COMPLAINT  
FOR VIOLATIONS OF THE  
FEDERAL SECURITIES LAWS**

CLASS ACTION

JURY TRIAL DEMANDED

1 Plaintiff Ziqi Zhang (“Plaintiff”), individually and on behalf of all other  
 2 persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s  
 3 complaint against Defendants (defined below), alleges the following based upon  
 4 personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and  
 5 belief as to all other matters, based upon, *inter alia*, the investigation conducted by  
 6 and through Plaintiff’s attorneys, which included, among other things, a review of  
 7 the Defendants’ public documents, announcements, public filings, wire and press  
 8 releases published by and regarding 17 Education & Technology Group Inc.  
 9 (“17EdTech” or the “Company”), and information readily obtainable on the  
 10 Internet. Plaintiff believes that substantial evidentiary support will exist for the  
 11 allegations set forth herein after a reasonable opportunity for discovery.

### 12 **NATURE OF THE ACTION**

13 1. This is a class action on behalf of persons or entities who purchased  
 14 or otherwise acquired publicly traded 17EdTech securities pursuant and/or  
 15 traceable to the registration statement and related prospectus (collectively, the  
 16 “Registration Statement”) issued in connection with 17EdTech December 2020  
 17 initial public offering (the “IPO” or “Offering”), seeking to recover compensable  
 18 damages caused by Defendants’ violations of the Securities Act of 1933 (the  
 19 “Securities Act”).

20 2. On December 4, 2020, Defendants held the IPO, issuing  
 21 approximately 27,400,000 American Depositary Shares (“ADSs”) to the investing  
 22 public at \$10.50 per ADS, pursuant to the Registration Statement.

23 3. By the commencement of this action, the Company’s ADSs trade  
 24 significantly below the IPO price. As a result, investors were damaged.

### 25 **JURISDICTION AND VENUE**

26 4. The claims alleged herein arise under and pursuant to Sections 11,  
 27 12(a)(2), and 15 of the Securities Act, 15 U.S.C. §§77k, 771(a)(2) and 77o.  
 28



1           11. The Company is incorporated in the Cayman Islands and its head  
2 office is located at 16/F, Block B, Wangjing Greenland Center, Chaoyang District,  
3 Beijing, 100102, PRC. 17EdTech's securities trade on the NASDAQ Exchange  
4 ("NASDAQ") under the ticker symbol "YQ."

5           12. Defendant Andy Chang Liu ("Liu") was at the time of the IPO the  
6 Company's Chief Executive Officer and Chairman of the Board of Directors.  
7 Defendant Liu reviewed, contributed to, and signed or caused to be signed the  
8 Registration Statement.

9           13. Defendant Michael Chao Du ("Du") was at the time of the IPO the  
10 Company's Chief Financial Officer and a Director. Defendant Du reviewed,  
11 contributed to, and signed or caused to be signed the Registration Statement.

12           14. Defendant Dun Xiao ("Xiao") was at the time of the IPO a Director  
13 of the Company. Defendant Xiao reviewed, contributed to, and signed or caused to  
14 be signed the Registration Statement

15           15. Defendant Tuck Lye Koh ("Koh") was at the time of the IPO a Director  
16 of the Company. Defendant Koh reviewed, contributed to, and signed or caused to  
17 be signed the Registration Statement.

18           16. Defendant Colleen A. De Vries ("De Vries") was at the time of the  
19 IPO 17EdTech's duly authorized representative in the United States. Defendant De  
20 Vries signed the false and misleading Registration Statement on her own behalf  
21 and on behalf of Defendant Cogency Global Inc. ("Cogency Global"), Defendant  
22 De Vries' employer.

23           17. Defendants Liu, Du, Xiao, Koh, and De Vries are sometimes referred  
24 to herein as the "Individual Defendants."

25           18. Each of the Individual Defendants signed or authorized the signing of  
26 the Registration Statement, solicited the investing public to purchase securities  
27 issued pursuant thereto, hired and assisted the underwriters, planned and  
28

1 contributed to the IPO and Registration Statement, and attended road shows and  
2 other promotions to meet with and present favorable information to potential  
3 17EdTech investors, all motivated by their own and the Company's financial  
4 interests.

5 19. Defendant Morgan Stanley & Co. LLC ("Morgan Stanley") is an  
6 investment banking firm that acted as a representative underwriter of the  
7 Company's IPO, helping to draft and disseminate the IPO documents. Morgan  
8 Stanley's address is 1585 Broadway, New York, New York 10036.

9 20. Defendant Goldman Sachs (Asia) L.L.C. ("Goldman Sachs") is an  
10 investment banking firm that acted as a representative underwriter of the  
11 Company's IPO, helping to draft and disseminate the IPO documents. Goldman  
12 Sach's corporate headquarters are located at 68th Floor, Cheung Kong Center, 2  
13 Queen's Road, Central, Hong Kong, Special Administrative Region of the PRC.

14 21. Defendant BofA Securities, Inc. ("BofA") is an investment banking  
15 firm that acted as an underwriter of the Company's IPO, helping to draft and  
16 disseminate the IPO documents. BofA's address is One Bryant Park, New York,  
17 NY 10036.

18 22. Defendant China Renaissance Securities (Hong Kong) Limited  
19 ("China Renaissance") is an investment banking firm that acted as an underwriter  
20 of the Company's IPO, helping to draft and disseminate the IPO documents. China  
21 Renaissance's address is Units 8107-08, International Commerce Center, No.1  
22 Austin Road West, Kowloon, Hong Kong, Special Administrative Region, PRC.

23 23. Defendant Tiger Brokers (NZ) Limited ("Tiger Brokers") is an  
24 investment banking firm that acted as an underwriter of the Company's IPO,  
25 helping to draft and disseminate the IPO documents. Tiger Brokers' address is  
26 Level 27/151 Queen Street, Auckland CBD, Auckland 1010, New Zealand.  
27  
28

1           24. Defendants Morgan Stanley, BofA, China Renaissance, and Tiger  
2 Brokers are referred to herein as the “Underwriter Defendants.”

3           25. Pursuant to the Securities Act, the Underwriter Defendants are liable  
4 for the false and misleading statements in the Registration Statement as follows:

5           (a) The Underwriter Defendants are investment banking houses that  
6 specialize in, among other things, underwriting public offerings of securities. They  
7 served as the underwriters of the IPO and shared substantial fees from the IPO  
8 collectively. The Underwriter Defendants arranged a roadshow prior to the IPO  
9 during which they, and representatives from the Company, met with potential  
10 investors and presented highly favorable information about the Company, its  
11 operations and its financial prospects.

12           (b) The Underwriter Defendants also obtained an agreement from the  
13 Company and the Individual Defendants that 17EdTech would indemnify and hold  
14 the Underwriter Defendants harmless from any liability under the federal securities  
15 laws.

16           (c) Representatives of the Underwriter Defendants also assisted the  
17 Company and the Individual Defendants in planning the IPO, and purportedly  
18 conducted an adequate and reasonable investigation into the business and  
19 operations of the Company, an undertaking known as a “due diligence”  
20 investigation. The due diligence investigation was required of the Underwriter  
21 Defendants in order to engage in the IPO. During the course of their “due  
22 diligence,” the Underwriter Defendants had continual access to internal,  
23 confidential, and current corporate information concerning the Company’s most  
24 up-to-date operational and financial results and prospects.

25           (d) In addition to availing themselves of virtually unlimited access to  
26 internal corporate documents, agents of the Underwriter Defendants met with the  
27 Company’s lawyers, management, and top executives and engaged in “drafting  
28

1 sessions.” During these sessions, understandings were reached as to: (i) the strategy  
2 to best accomplish the IPO; (ii) the terms of the IPO, including the price at which  
3 the Company’s securities would be sold; (iii) the language to be used in the  
4 Registration Statement; (iv) what disclosures about the Company’s would be made  
5 in the Registration Statement; and (v) what responses would be made to the SEC  
6 in connection with its review of the Registration Statement. As a result of those  
7 constant contacts and communications between the Underwriter Defendants’  
8 representatives and the Company’s management and top executives, the  
9 Underwriter Defendants knew of, or in the exercise of reasonable care should have  
10 known of, the Company’s existing problems as detailed herein.

11 26. The Underwriter Defendants caused the Registration Statement to be  
12 filed with the SEC and declared effective in connection with the offers and sales of  
13 securities registered thereby, including those to Plaintiff and the other members of  
14 the Class.

15 27. Defendant Cogency Global was 17EdTech’s authorized U.S.  
16 representative for purposes of the IPO. Defendant De Vries, who signed the  
17 Registration Statement, was an employee of Defendant Cogency Global. As a  
18 result, Defendant Cogency Global is liable for the securities law violations  
19 committed by Defendant De Vries in its capacity as employer and as a control  
20 person under the Securities Act.

21 28. The Company, the Individual Defendants, the Underwriter  
22 Defendants, and Cogency Global are referred to herein, collectively, as the  
23 “Defendants.”  
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## **SUBSTANTIVE ALLEGATIONS**

### **Background Information**

29. 17EdTech offered tutoring services related to academic subjects to students from kindergarten through the last year of senior high school (“K-12 Academic AST Services”), in the PRC at the time of the IPO but ceased this core offering at the end of 2021, merely a year after the IPO.

30. PRC authorities have been targeting private education companies and tutoring companies, especially including those that are Western-financed, for reform publicly since at least February 2019, when Chinese authorities, including China’s State Council, publicly proposed a 2018-2022 plan for modernizing Chinese education, which noted practices that Chinese authorities intend to reform, including restricting foreign investment in education and reducing the burden of education and tutoring.<sup>1</sup>

31. In January 2021, the month after the IPO, Chinese authorities publicly made clear within the PRC, again, that they would reform the private tutoring industry in which 17EdTech operated. The Central Commission for Discipline Inspection, the highest internal enforcement division of the Chinese Communist Party, and the National Supervision Commission of the PRC released an article warning about reforms of abuses by private education companies.

32. Still in January 2021, the month after the IPO, on January 7, 2021, at a national education conference, the PRC’s Minister of Education Chen Baosheng publicly confirmed that “great efforts would be made to regulate and rectify after-school tutoring institutions[.]”

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<sup>1</sup> Some of these proposals, actions, and regulations are noted throughout. *E.g.*, ¶¶ 30-37 and 45-46. *See* [http://www.gov.cn/zhengce/2019-02/23/content\\_5367988.htm](http://www.gov.cn/zhengce/2019-02/23/content_5367988.htm).



1           33. At the end of January 2021, the Office of the Education Supervision  
 2 Committee of the State Council held, by video, its official conference on  
 3 supervision. There, a number of Provincial education departments identified  
 4 reducing the “Double Burden” imposed by private off-campus tutoring by  
 5 companies like 17EdTech on top of an already large homework burden as the most  
 6 important task for education supervision for 2021.

7           34. On March 6, 2021, PRC President Xi Jinping publicly confirmed that  
 8 the PRC will “resolutely reform all activities that infringe on [the People’s]  
 9 interests under the banner of education.” At the Chinese People’s Political  
 10 Consultative Conference, President Xi described the after-school tutoring business  
 11 as a “social problem.” Consistent with President Xi’s mandate, further rules to limit  
 12 private afterschool tutoring were discussed at the Chinese Communist Party’s  
 13 annual Parliamentary Session held in March 2021. Liang Tingfu, a Beijing-based  
 14 educational scholar, publicly warned that the coming crackdown might be more  
 15 severe than previous reforms.<sup>2</sup>

16           35. On March 31, 2021, the Ministry of Education publicly stated that it  
 17 had recognized reducing the “Double Burden” of after-school tutoring on top of  
 18 homework as a key task for 2021.

19           36. In May 2021, Yu Minhong, founder of competitor New Oriental  
 20 Education & Technology Group Inc., was quoted by Shanghai news outlet  
 21 *ThePaper*: “the instant benefits and quick success sought by investors do not work  
 22  
 23  
 24  
 25  
 26

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27           <sup>2</sup> See [https://supchina.com/2021/03/17/uncertainty-roils-chinese-private-tutoring-](https://supchina.com/2021/03/17/uncertainty-roils-chinese-private-tutoring-industry-over-feared-regulatory-crackdown/)  
 28 industry-over-feared-regulatory-crackdown/.

1 in the education industry, and a crackdown on online education, which is full of  
2 ‘chaotic misbehavior’, is imminent.”<sup>3</sup>

3 37. On May 21, 2021, Xi Jinping presided over a meeting of the Central  
4 Committee of the Chinese Communist Party, and the Central Committee’s  
5 Commission for Deepening Overall Reform, during which the Central Committee  
6 adopted “The Opinions of Further Reducing the Burden of Homework and Off-  
7 Campus Tutoring for Students in the Compulsory Education Period[.]” Among  
8 other things, the Committee expressed concerns that too much after-school tutoring  
9 could affect students’ physical and mental health.

10 38. In light of the proposed, discussed, and enacted reforms from and  
11 connected to the 2018-2022 plan for modernizing Chinese education, several other  
12 Chinese education technology firms, including VIPKid, Huohua Siwei, Zuoyebang  
13 and Yuanfuda, reportedly scrapped or postponed plans for initial public offerings.<sup>4</sup>

14 39. On July 23, 2021, mere months after the IPO, Chinese authorities  
15 formally revealed to the public continued regulations which banned after-school  
16 tutoring companies that teach the school curriculum from making profits, raising  
17 capital, or going public. These measures formally ended any potential growth in  
18 the for-profit tutoring sector in the PRC.

19 **17EdTech’s False and/or Misleading Registration Statement**

20  
21 40. On November 13, 2020, 17EdTech filed with the SEC a registration  
22 statement on Form F-1, which in combination with subsequent amendments on  
23 Form F-1/A and filed pursuant to Rule 424(b)(4), are collectively referred to as the  
24 Registration Statement and issued in connection with the IPO.

25  
26 <sup>3</sup> See  
27 [http://epaper.chinadaily.com.cn/a/202105/19/WS60a43ecca31099a23435630e.htm](http://epaper.chinadaily.com.cn/a/202105/19/WS60a43ecca31099a23435630e.html)  
28 l.

<sup>4</sup> <https://www.yahoo.com/now/china-wrecks-ipo-plans-high-093410458.html>.

1           41. On December 4, 2020, 17EdTech filed with the SEC the final  
2 prospectus for the IPO on Form 424B4 (the “Prospectus”), which forms part of the  
3 Registration Statement. In the IPO, 17EdTech sold 27,400,000 ADSs at \$10.50 per  
4 ADS.

5           42. The Registration Statement was negligently prepared and, as a result,  
6 contained untrue statements of material facts or omitted to state other facts  
7 necessary to make the statements made not misleading, and was not prepared in  
8 accordance with the rules and regulations governing its preparation.

9           43. Under applicable SEC rules and regulations, the Registration  
10 Statement was required to disclose known trends, events or uncertainties that were  
11 having, and were reasonably likely to have, an impact on the Company’s  
12 continuing operations.

13           44. Throughout the Registration Statement, 17EdTech neglected to raise  
14 the real and existential concerns about the ongoing discussions and actions of  
15 Chinese authorities related to 17EdTech’s K-12 education services and instead  
16 touted its K-12 Academic AST Services.

17           45. Indeed, even while discussing recent, potential, and proposed  
18 regulatory changes, the Registration Statement did not reveal that 17EdTech’s K-  
19 12 Academic AST Services could (and would) be shut down in one year’s time.  
20 Instead, the Registration Statement merely stated the following, including a long  
21 section devoted to recent regulations, in relevant part:

22           **General Factors Affecting Our Results of Operations**

23           Our results of operations are affected by the general factors driving  
24 China’s education industry. We have benefited from China’s overall  
25 economic growth, significant urbanization rate, and higher per capita  
26 disposable income of households, and increased penetration of internet  
27 and mobile applications in China. *Our results of operations are also*  
28 *subject to changes in the regulatory landscape affecting China’s*  
*education industry, particularly uncertainties relating to both in-*

1 *school and after-school educational services. The PRC government*  
 2 *regulates various aspects of our business and operations, including*  
 3 *the qualification, licensing or filing requirements for entities that*  
 4 *provide education services and limitations on foreign investments in*  
 5 *the education industry. See “Risk Factors—Risks Relating to Our*  
 6 *Business and Industry—Uncertainties exist in relation to new*  
 7 *legislation or proposed changes in the PRC regulatory requirements*  
 8 *regarding online private education and smart in-school classroom*  
 9 *solutions, which may materially and adversely affect our business,*  
 10 *financial condition and results of operations.”*

11 \* \* \*

#### 12 **Regulation Relating to After-school Tutoring and Educational** 13 **Apps**

14 On February 13, 2018, the MOE, the Ministry of Civil Affairs, the  
 15 Ministry of Human Resources and Social Security and the SAMR  
 16 jointly promulgated the Circular on Alleviating After-school Burden  
 17 on Primary and Secondary School Students and Implementing  
 18 Inspections on After-school Training Institutions, pursuant to which  
 19 the government authorities will carry out a series of inspections on  
 20 after-school training institutions and order those with material  
 21 potential safety risks to suspend business for self-inspection and  
 22 rectification and those without proper establishment licenses or school  
 23 operating permits to apply for relevant qualifications and certificates  
 24 under the guidance of competent government authorities. ...

25 On August 6, 2018, the General Office of the State Council issued the  
 26 Opinion on the Regulation of the Development of After-school  
 27 Training Institutions, or State Council Circular 80, which primarily  
 28 regulates the after-school training institutions targeting students in  
 elementary and middle schools. ...

On November 20, 2018, the General Office of the MOE, the General  
 Office of the SAMR and the General Office of the Ministry of  
 Emergency Management jointly issued the Notice on Improving the  
 Specific Governance and Rectification Mechanisms of After-school  
 Education Institutions, which provides that provincial regulatory  
 authorities of education should be responsible for being filed with the

1 training institutions that use internet technology to provide online  
2 training and target primary and secondary school students. ...

3 On June 10, 2020, the General Office of MOE and the General Office  
4 of SAMR promulgated the Notice on Issuing the Form of Service  
5 Contract for After-school Training Provided to Primary and Secondary  
6 School Students, which requires the local competent regulatory  
7 authorities to guide the relevant parties to use the form of service  
8 contract for after-school training activities provided to primary and  
9 secondary school students. ...

10 The MOE and certain other PRC government authorities jointly  
11 promulgated the Implementation Opinions on Regulating Online  
12 After-school Training, or the Online After-school Training Opinions,  
13 as effective on July 12, 2019. The Online After-school Training  
14 Opinions is to regulate academic after-school training involving  
15 internet technology provided to students in primary and secondary  
16 schools. ...

17 The Online After-school Training Opinions further provides that the  
18 competent provincial regulatory authorities of education should,  
19 jointly with other provincial government authorities, review the filings  
20 and qualifications of the online after-school training institutions by the  
21 end of December 2019, focusing on the following matters: (i) the  
22 training content should not include online games or other content or  
23 links irrelevant with the training itself, and should not be beyond the  
24 scope of relevant national school syllabus. No illegal publications may  
25 be published, printed, reproduced or distributed, and no infringement  
26 or piracy activities may be conducted during the training. The training  
27 content and data should be stored for more than one year, among which  
28 the live streaming teaching videos should be stored for more than six  
months; (ii) each course should not be longer than 40 minutes and  
should be taken at intervals of not less than 10 minutes, and the training  
time should not conflict with the teaching time of primary and  
secondary schools. Each live-streaming course provided to students  
receiving compulsory education should not end later than 9:00 p.m.,  
and no homework should be left for primary school students in Grade  
1 and Grade 2. ...

On April 21, 2020, the Ministry of Human Resources and Social Welfare and other government authorities jointly promulgated the Notice of Implementing the Phased Measures of “Taking Certificate after Starting Career” for Certain Occupations under COVID-19, pursuant to which all college graduates who are eligible for the teacher qualification examination and meet the requirements of teacher qualification regarding ideological and political criteria, language skills and physical conditions are allowed to start to teach before obtaining the teacher qualification licenses. The teacher qualification licenses will not be a mandatory precondition for college graduates if they are hired prior to December 31, 2020.

(Emphasis added.)

46. Rather than disclose the real and existential concerns about the ongoing discussions and actions of Chinese authorities, the Registration Statement vaguely discussed China’s regulatory regime with regards to 17EdTech’s K-12 Academic AST Services. Thus, the risk disclosures themselves were materially misleading because they failed to disclose the risk and true likelihood of 17EdTech’s Academic AST Services ending due to imminent regulatory action by Chinese authorities. Specifically, the Registration Statement represented that:

**Risks relating to our business and industry**

Risks and uncertainties relating to our business and industry include, but are not limited to, the following:

...

- *Uncertainties* exist in relation to new legislation or proposed changes in the PRC regulatory requirements regarding online private education and smart in-school classroom solutions, which may materially and adversely affect our business, financial condition and results of operations; and
- *We face uncertainties* with respect to the development of regulatory requirements on operating licenses and permits for our online education services in China. *Failure to renew and maintain requested licenses or permits in a timely manner or obtain newly required ones due to adverse changes in regulations or policies*



1 *could have a material adverse impact on our business, financial*  
 2 *condition and results of operations.*

3 **Risks relating to our corporate structure**

4 Risks and uncertainties relating to our corporate structure include, but  
 5 are not limited to, the following:

- 6 • If the PRC government finds that the agreements that establish the  
 7 structure for operating certain of our operations in China do not  
 8 comply with PRC regulations relating to the relevant industries, or  
 9 if these regulations or the interpretation of existing regulations  
 change in the future, we could be subject to severe penalties or be  
 forced to relinquish our interests in those operations;

10 \* \* \*

11 **Risks Relating to Our Business and Industry**

12 *We have a limited operating history with our online after-school*  
 13 *tutoring business, which makes it difficult to predict our prospects and*  
 14 *our business and financial performance.*

15 ... Our net revenues from online K-12 tutoring services grew by  
 16 283.0% from RMB93.9 million in 2018 to RMB359.6 million  
 17 (US\$53.0 million) in 2019 and increased by 312.4% from  
 18 RMB182.1 million in the nine months ended September 30, 2019 to  
 RMB751.1 million (US\$110.6 million) in the nine months ended  
 September 30, 2020. ...

19 \* \* \*

20 *Uncertainties exist in relation to new legislation or proposed changes*  
 21 *in the PRC regulatory requirements regarding online private*  
 22 *education and smart in-school classroom solutions, which may*  
 23 *materially and adversely affect our business, financial condition and*  
 24 *results of operations.*

25 *The private education industry and smart in-school classroom*  
 26 *solution industry in the PRC are subject to regulations in various*  
 27 *aspects. Relevant rules and regulations are relatively new and*  
 28 *evolving and could be changed to accommodate the development of*  
*the education, in particular, the online private education, markets*



1        *and the further adoption of smart in-school classroom solutions*  
2        *from time to time.*

3        Pursuant to the amended Law for Promoting Private Education, or the  
4        amended Private Education Law, a private school must obtain a private  
5        school operating permit. See “Regulation—PRC Regulations—  
6        Regulation Relating to Private Education.” However, we are an online  
7        tutoring service provider, which is different from traditional offline  
8        education service providers, and it remains unclear in practice as to  
9        whether and how an online tutoring service provider like us needs to  
10       comply with the operating permit requirement under the amended  
11       Private Education Law. In August 2018, the Ministry of Justice, or  
12       MOJ, published the draft amendment to the Regulations on the  
13       Implementation of the Law for Promoting Private Education of the  
14       PRC, or MOJ Draft, for public comment. According to the MOJ Draft,  
15       we must file with the department of education at the provincial level,  
16       as we provide online non-diploma-awarding education services. ... As  
17       of the date of this prospectus, the MOJ Draft is still pending for final  
18       approval and has not come into effect. It remains uncertain when and  
19       how the MOJ Draft would come into effect, and whether and how local  
20       governments would promulgate rules related to the filing or licensing  
21       requirement applicable to online education service providers like us.  
22       ...

23       Furthermore, the Ministry of Education, or the MOE, jointly with  
24       certain other PRC government authorities, promulgated the  
25       Implementation Opinions on Regulating Online After-School  
26       Training, or the Online After-School Training Opinions, effective on  
27       July 12, 2019. The Online After-School Training Opinions are  
28       intended to regulate academic after-school training involving internet  
29       technology provided to students in primary and secondary schools. ...  
30       The Online After-School Training Opinions also impose a number of  
31       new regulations requiring, among other things, that (i) each class shall  
32       not last longer than 40 minutes and shall be taken at intervals of not  
33       less than 10 minutes; (ii) live streaming courses provided to students  
34       receiving compulsory education shall not end later than 9:00 p.m.; (iii)  
35       fees shall not be collected in a lump sum for more than 60 classes when  
36       charged based on the number of classes, or for a course length of more  
37       than three months when charged based on the length of the course; and  
38       (iv) instructors providing after-school tutoring services related to

1 academic curriculum are required to obtain the necessary teaching  
2 qualification licenses. According to the Online After-School Training  
3 Opinions, provincial education regulatory authorities shall promulgate  
4 local implementing rules regarding these filing requirements. See  
5 “Regulation—PRC Regulations—Regulation Relating to After-school  
6 Tutoring and Educational Apps.”

7 We have completed the filings in accordance with the Online After-  
8 School Training Opinions with respect to our major online after-school  
9 tutoring platform, training contents and instructors, and we are in the  
10 process of completing filings or updating the filing information for the  
11 rest of them. As the Online After-School Training Opinions are  
12 relatively new and evolving, we cannot assure you that we are in full  
13 compliance with all relevant rules or we will be able to timely obtain  
14 or maintain all the necessary filings. ...

15 Moreover, the MOE, jointly with certain other PRC government  
16 authorities, issued the Opinions on Guiding and Regulating the  
17 Orderly and Healthy Development of Educational Mobile Apps on  
18 August 10, 2019, or the Opinions on Educational Apps, which  
19 requires, among others, mobile apps that offer services for school  
20 teaching and management, student learning and student life, or home-  
21 school interactions, with school faculty, students or parents as the main  
22 users, and with education or learning as the main application scenarios,  
23 be filed with the competent provincial regulatory authorities for  
24 education. ...

25 Given the foregoing, the interpretation and application of the existing  
26 laws and regulations and the newly promulgated implementation rules  
27 and interpretations, if any, that govern the online private education  
28 industry and the smart in-school classroom solution industry would  
create substantial uncertainties regarding the legality of our business  
operation, which create risks that we may be found to violate the  
existing laws and regulations and any newly promulgated  
implementation rules and interpretations. It is also uncertain whether  
and how PRC government authorities would further promulgate new  
laws and regulations applicable to online training institutions and the  
smart in-school classroom solution industry, including those  
promulgated to apply more stringent social and ethical standards in the  
education sector in general. There is no assurance that we can comply  
with any newly promulgated laws and regulations in a timely manner

1 or at all, and any failure to comply may materially and adversely affect  
2 our business, financial condition and results of operations.

3 *We face uncertainties with respect to the development of regulatory*  
4 *requirements on operating licenses and permits for our online*  
5 *education services in China. Failure to renew and maintain requested*  
6 *licenses or permits in a timely manner or obtain newly required ones*  
7 *due to adverse changes in regulations or policies could have a*  
8 *material adverse impact on our business, financial condition and*  
9 *results of operations.*

10 \* \* \*

### 11 **Risks Relating to Our Corporate Structure**

12 *If the PRC government finds that the agreements that establish the*  
13 *structure for operating certain of our operations in China do not*  
14 *comply with PRC regulations relating to the relevant industries, or if*  
15 *these regulations or the interpretation of existing regulations change*  
16 *in the future, we could be subject to severe penalties or be forced to*  
17 *relinquish our interests in those operations.*

18 Foreign ownership in entities that provide value-added  
19 telecommunication services (except for e-commerce, domestic multi-  
20 party communications, store-and-forward and call center), such as  
21 provision of online course content, is subject to restrictions under  
22 current PRC laws and regulations. ...

23 ... However, we have been further advised by our PRC counsel that  
24 there are substantial uncertainties regarding the interpretation and  
25 application of current or future PRC laws and regulations. Thus, the  
26 PRC government may ultimately take a view contrary to the opinion  
27 of our PRC counsel. If the PRC government otherwise find that we are  
28 in violation of any existing or future PRC laws or regulations or lack  
the necessary permits or licenses to operate our business, the relevant  
governmental authorities would have broad discretion in dealing with  
such violation, including, without limitation:

- revoking the business licenses and/or operating licenses of such entities;
- imposing fines on us;

- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenues; and
- shutting down our servers or blocking our application/software.

(Emphasis added.)

47. The statements contained in ¶¶ 45 and 46 were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, the Registration Statement was false and/or misleading and/or failed to disclose that: (1) Defendant 17EdTech's K-12 Academic AST Services would end less than a year after the IPO; (2) as part of its ongoing regulatory efforts, Chinese authorities would imminently curtail and/or end 17EdTech's core business; and (3) as a result, Defendants' statements about the Company's business, operations, and prospects were materially false and misleading and/or lacked a reasonable basis at all relevant times.

48. Then on July 23, 2021, the Company issued a press release entitled "17 Education & Technology Group Inc. Responds to Media Reports" which announced, in relevant part, that:

... certain English and Chinese language media outlets reported that the PRC regulators are considering a new set of regulations concerning after-school tutoring service related to school subjects taught in China's compulsory education system. The regulations have not been published, and the Company has not received official notification of the regulations. It is the Company's policy not to comment on market speculations.

1           49. On this news, 17EdTech's ADS price fell \$3.56 per ADS, or 39%, to  
2 close at \$5.64 per ADS on July 23, 2021, on unusually heavy trading volume.

3           50. Then on July 26, 2021, the Company issued a press release entitled  
4 "17 Education & Technology Group Inc. Provides Update on New Regulations"  
5 which announced, in relevant part, that:

6           17 Education & Technology Group Inc. (Nasdaq: YQ) ("17EdTech"  
7 or the "Company"), a leading education technology company in China  
8 with an "in-school + after-school" integrated model, announced that,  
9 on July 24, 2021, China's official state media, including Xinhua News  
10 Agency and China Central Television, announced the Opinions on  
11 Further Alleviating the Burden of Homework and After-School  
12 Tutoring for Students in Compulsory Education (the "Opinion"),  
13 issued by the General Office of the CPC Central Committee and the  
14 General Office of the State Council. The Opinion contains high-level  
15 policy directives about requirements and restrictions related to the  
16 compulsory education system in China, as well as online and offline  
17 after-school tutoring services, including, among others, (i) *institutions*  
18 *providing after-school tutoring services on academic subjects in*  
19 *China's compulsory education system, or Academic AST*  
20 *Institutions, need to be registered as non-profit*; (ii) changing the  
21 current registration-based regime for operating online Academic AST  
22 Institutions to a government approval-based regime, (iii) alleviating  
23 the amount of homework that students are required to complete, (iv)  
24 *foreign ownership in Academic AST Institutions is prohibited,*  
25 *including through contractual arrangements, and companies with*  
26 *existing foreign ownership need to rectify the situation*; (v) *listed*  
27 *companies are prohibited from raising capital to invest in businesses*  
28 *that teach academic subjects in compulsory education*; (vi) Academic  
AST Institutions are prohibited from providing tutoring services on  
academic subjects in compulsory education during public holidays,  
weekends and school breaks; and (vii) Academic AST Institutions  
must follow the fee standards to be established by relevant authorities.  
The Opinion also provides that institutions providing after-school  
tutoring services on academic subjects in high schools (which do not  
fall within China's compulsory education system) shall take into  
consideration the Opinion when conducting activities.

1 The Company will continue to comply with all applicable rules and  
 2 regulations in providing educational services, including those rules  
 3 and regulations to be adopted following the policy directives of the  
 4 Opinion. The Company is carefully considering the provisions of the  
 5 Opinion and assessing their implications for the Company's business.  
 6 ***The Company expects the Opinion, related rules and regulations,***  
 7 ***and the compliance measures to be taken by the Company will have***  
 8 ***a material adverse impact on the Company's results of operations***  
 9 ***and prospect. The Company will proactively seek guidance from and***  
 10 ***cooperate with government authorities in connection with its efforts***  
 11 ***to comply with the Opinion and any related rules and regulations.***

12 (Emphasis added.)

13 51. On this news, 17EdTech's ADS price fell \$1.48 per ADS, or 26%, to  
 14 close at \$4.16 per ADS on July 26, 2021, on unusually heavy trading volume.

15 52. On August 25, 2021, the Company issued a press release entitled "17  
 16 Education & Technology Group Inc. Provides Update on Regulatory  
 17 Development" which announced, in relevant part, that:

18 17 Education & Technology Group Inc. (Nasdaq: YQ) ("17EdTech"  
 19 or the "Company"), a leading education technology company in China  
 20 with an "in-school + after-school" integrated model, announced that  
 21 the Shanghai local government issued the "Measures to Further  
 22 Alleviate the Burden of Homework and After-School Tutoring on  
 23 Students in Compulsory Education" and answers to twelve questions  
 24 related to such measures (collectively, the "Shanghai Measures") on  
 25 August 24, 2021. The Shanghai Measures were adopted to implement  
 26 the Opinions on Further Alleviating the Burden of Homework and  
 27 After-School Tutoring on Students in Compulsory Education,  
 28 published in July 2021 by the General Office of the CPC Central  
 Committee and the General Office of the State Council of the PRC,  
 and aim to, within one year, "(i) effectively control the volume of, and  
 the amount of time it takes to complete, homework assigned to  
 students during the compulsory education stage, (ii) ensure all  
 compulsory education schools provide on-campus, after-school  
 services, (iii) complete the rectification of business practices of online  
 and offline providers of after-school tutoring services on academic



1 subjects in China's compulsory education system ("Academic AST"),  
 2 (iv) effectively reduce the excessive burden upon students from school  
 3 homework and after-school tutoring, the education expenditures from  
 4 their families and the burden on their parents' energy."

5 With respect to homework assignment and after-school tutoring  
 6 services, among other things, the Shanghai Measures contain the  
 7 following provisions:

8 • Schools are prohibited from assigning homework to first- and  
 9 second-graders, assigning written homework that takes longer than 60  
 10 minutes on average to complete to third-, fourth- or fifth-graders, or  
 11 assigning written homework that takes longer than 90 minutes on  
 12 average to complete to students in junior high-school.

13 • Previously registered online Academic AST providers will be  
 14 subject to a new round of approval process.

15 • After-school tutoring providers are strictly prohibited from  
 16 providing Academic AST during any national holiday, weekend,  
 17 winter and summer break period; Online Academic AST classes  
 18 cannot be offered after 9:00 p.m. during weekdays, and each class  
 19 session cannot last longer than 30 minutes, with mandatory recessions  
 20 of not less than 10 minutes between classes.

21 • Academic AST providers are prohibited from (i) offering  
 22 classes over contents outside of or in advance of the school curriculum,  
 23 (ii) offering classes based on any foreign curriculum, (iii) soliciting  
 24 and recruiting school teachers by offering excessive compensation, or  
 25 (iv) employing foreign personnel to carry out training activities from  
 26 overseas. Non-Academic AST providers are prohibited from offering  
 27 Academic AST classes.

28 • Prices for Academic AST will need to follow the guidelines  
 from the government.

• *Academic AST providers are prohibited from financing by way  
 of publicly listing its securities; listed companies may not invest in  
 Academic AST providers through capital markets fundraising  
 activities, and may not acquire assets of Academic AST providers;*



1 *and foreign capital is prohibited from controlling or participating in*  
 2 *Academic AST providers.*

- 3 • Enhancing oversight of AST advertising, including restricting  
 4 the channels for deploying AST advertisements.
- 5 • Institutions providing after-school tutoring services on  
 6 academic subjects in high schools (which do not fall within China's  
 7 compulsory education system) will be supervised with reference to the  
 8 Shanghai Measures.
- 9 • Academic AST providers are strictly prohibited from  
 10 recommending or inducing students to use consumer loan products to  
 pay training fees.

11 *The Company's compliance with the Shanghai Measures will have*  
 12 *a material adverse impact on its business, results of operations and*  
 13 *financial condition. In compliance with the Shanghai Measures, the*  
 14 *Company has stopped and will stop offering online Academic AST*  
*classes over weekends, national holidays and school break periods.*

15 (Emphasis added.)

16 53. On this news, 17EdTech's ADS price fell 5% per ADS to close at  
 17 \$4.48 per ADS on August 25, 2021.

18 54. Finally, on June 9, 2022, after market hours, the Company issued a  
 19 press release entitled "17 Education & Technology Group Inc. Announces First  
 20 Quarter 2022 Unaudited Financial Results" which announced, in relevant part, that:

21 Mr. Michael Chao Du, Director and Chief Financial Officer of  
 22 17EdTech commented, "We are pleased to report our solid  
 23 performance in the first quarter of 2022. Our net revenues reached  
 24 RMB233.4 million, 11.1% higher than the top-end of our prior  
 25 guidance. It is also worth mentioning that the results reflected progress  
 26 we made in implementing our new business strategies and *did not*  
 27 *include any revenue from the legacy online K-12 tutoring services,*  
 28 *which ceased by the end of 2021 in compliance with the relevant PRC*  
*government regulations. ..."*

## **First Quarter 2022 Unaudited Financial Results**

Net revenues for the first quarter of 2022 were RMB233.4 million (US\$36.8 million), *representing a year-over-year decrease of 50.8% from RMB474.2 million in the first quarter of 2021, mainly due to the cessation of the Company's online K-12 tutoring services by the end of 2021 in order to be compliant with the latest PRC regulations, which prohibit the provision of tutoring services relating to academic subjects to K-12 students.*

## **Business Outlook**

(Emphasis added.)

56. Since the IPO, and as a result of the disclosure of material adverse facts omitted from the Company's Registration Statement, 17EdTech's ADS price has fallen significantly below its IPO price, damaging Plaintiff and Class members. As of July 13, 2022, 17EdTech's ADSs closed at \$1.54 per ADS, ***representing an 85% decline from the \$10.50 IPO price.***

1 adequate disclosures about adverse conditions, risk and uncertainties. Item 303 of  
2 SEC Reg. S-K, 17 C.F.R. §229.303(a)(3)(ii) requires that the materials incorporated  
3 in a registration statement disclose all “known trends or uncertainties” reasonably  
4 expected to have a material unfavorable impact on the Company’s operations.

5 58. As a result of Defendants’ wrongful acts and omissions, and the  
6 decline in the market value of the Company’s securities, Plaintiff and other Class  
7 members have suffered significant losses and damages.

8 **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

9 59. Plaintiff brings this action as a class action on behalf of all those who  
10 purchased the Company’s securities pursuant and/or traceable to the Registration  
11 Statement (the “Class”). Excluded from the Class are Defendants and their  
12 families, the officers and directors and affiliates of Defendants, at all relevant  
13 times, members of their immediate families and their legal representatives, heirs,  
14 successors or assigns and any entity in which Defendants have or had a controlling  
15 interest.

16 60. The members of the Class are so numerous that joinder of all members  
17 is impracticable. While the exact number of Class members is unknown to Plaintiff  
18 at this time and can only be ascertained through appropriate discovery, Plaintiff  
19 believes that there are at least thousands of members in the proposed Class. Record  
20 owners and other members of the Class may be identified from records maintained  
21 by the Company or its transfer agent and may be notified of the pendency of this  
22 action by mail, using the form of notice similar to that customarily used in  
23 securities class actions.

24 61. Plaintiff’s claims are typical of the claims of the members of the Class,  
25 as all members of the Class are similarly affected by Defendants’ wrongful conduct  
26 in violation of federal law that is complained of herein.  
27  
28



1           68. Defendants are strictly liable to Plaintiff and the Class for the  
2 misstatements and omissions.

3           69. None of the Defendants named herein made a reasonable investigation  
4 or possessed reasonable grounds for the belief that the statements contained in the  
5 Registration Statement were true and without omissions of any material facts and  
6 were not misleading.

7           70. By reason of the conduct herein alleged, each Defendant violated or  
8 controlled a person who violated §11 of the Securities Act.

9           71. Plaintiff acquired the Company's securities pursuant to the  
10 Registration Statement.

11           72. At the time of their purchases of 17EdTech securities, Plaintiff and  
12 other members of the Class were without knowledge of the facts concerning the  
13 wrongful conduct alleged herein and could not have reasonably discovered those  
14 facts prior to the disclosures herein.

15           73. This claim is brought within one year after discovery of the untrue  
16 statements and/or omissions in the IPO that should have been made and/or  
17 corrected through the exercise of reasonable diligence, and within three years of  
18 the effective date of the IPO. It is therefore timely.

19  
20                                   **COUNT II**

21                           **Violations of Section 12(a)(2) of the Securities Act**

22                                   **Against All Defendants**

23           74. Plaintiff incorporates all the foregoing by reference.

24           75. By means of the defective Prospectus, Defendants promoted,  
25 solicited, and sold 17EdTech securities to Plaintiff and other members of the Class.

26           76. The Prospectus for the IPO contained untrue statements of material  
27 fact, and concealed and failed to disclose material facts, as detailed above.  
28 Defendants owed Plaintiff and the other members of the Class who purchased the

1 Company's securities pursuant to the Prospectus the duty to make a reasonable and  
 2 diligent investigation of the statements contained in the Prospectus to ensure that  
 3 such statements were true and that there was no omission to state a material fact  
 4 required to be stated in order to make the statements contained therein not  
 5 misleading. Defendants, in the exercise of reasonable care, should have known of  
 6 the misstatements and omissions contained in the Prospectus as set forth above.

7 77. Plaintiff did not know, nor in the exercise of reasonable diligence  
 8 could Plaintiff have known, of the untruths and omissions contained in the  
 9 Prospectus at the time Plaintiff acquired 17EdTech securities.

10 78. By reason of the conduct alleged herein, Defendants violated  
 11 §12(a)(2) of the Securities Act, 15 U.S.C. §77l(a)(2). As a direct and proximate  
 12 result of such violations, Plaintiff and the other members of the Class who  
 13 purchased 17EdTech securities pursuant to the Prospectus sustained substantial  
 14 damages in connection with their purchases of the shares. Accordingly, Plaintiff  
 15 and the other members of the Class who hold the securities issued pursuant to the  
 16 Prospectus have the right to rescind and recover the consideration paid for their  
 17 shares, and hereby tender their securities to Defendants sued herein. Class members  
 18 who have sold their securities seek damages to the extent permitted by law.

19 79. This claim is brought within one year after discovery of the untrue  
 20 statements and/or omissions in the IPO that should have been made and/or  
 21 corrected through the exercise of reasonable diligence, and within three years of  
 22 the effective date of the IPO. It is therefore timely.

### 23 **COUNT III**

#### 24 **Violations of Section 15 of the Securities Act**

#### 25 **Against the Company and the Individual Defendants**

26 80. Plaintiff incorporates all the foregoing by reference.

1           81. This cause of action is brought pursuant to §15 of the Securities Act,  
2 15 U.S.C. §77o against all Defendants except the Underwriter Defendants.

3           82. The Individual Defendants were controlling persons of 17EdTech by  
4 virtue of their positions as directors and/or senior officers of the Company. The  
5 Individual Defendants each had a series of direct and indirect business and personal  
6 relationships with other directors and officers and major shareholders of the  
7 Company. The Company controlled the Individual Defendants and all of 17EdTech  
8 employees.

9           83. The Company and the Individual Defendants were culpable  
10 participants in the violations of §§11 and 12(a)(2) of the Securities Act as alleged  
11 above, based on their having signed or authorized the signing of the Registration  
12 Statement and having otherwise participated in the process which allowed the IPO  
13 to be successfully completed.

14           84. This claim is brought within one year after discovery of the untrue  
15 statements and/or omissions in the IPO that should have been made and/or  
16 corrected through the exercise of reasonable diligence, and within three years of  
17 the effective date of the IPO. It is therefore timely.

18                           **PRAYER FOR RELIEF**

19           **WHEREFORE**, Plaintiff, on behalf of himself and the Class, prays for  
20 judgment and relief as follows:

21           (a) declaring this action to be a proper class action, designating Plaintiff  
22 as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23 of  
23 the Federal Rules of Civil Procedure and designating Plaintiff's counsel as Lead  
24 Counsel;

25           (b) awarding damages in favor of Plaintiff and the other Class members  
26 against all Defendants, jointly and severally, together with interest thereon;  
27  
28



1 (c) awarding Plaintiff and the Class reasonable costs and expenses  
2 incurred in this action, including counsel fees and expert fees; and

3 (d) awarding Plaintiff and other members of the Class such other and  
4 further relief as the Court may deem just and proper.

5 **JURY TRIAL DEMANDED**

6 Plaintiff hereby demands a trial by jury.

7  
8 Dated: July 19, 2022

**THE ROSEN LAW FIRM, P.A.**

9  
10 /s/Laurence M. Rosen

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